

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4502-01
Bill No.: SB 561
Subject: Revenue Department; Tax Credits; Taxation and Revenue - General; Taxation and Revenue - Income
Type: Original
Date: January 13, 2012

Bill Summary: This proposal imposes a sunset upon tax credit programs not currently subject to a sunset provision and requires the Department of Revenue to apply any increase in revenue generated to a decrease in the personal income tax rate.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Section 135.822 Sunset of Tax Credits

Officials at the **Department of Agriculture** and **Department of Health and Senior Services** assume that there is no fiscal impact from this proposal.

Officials at the **Department of Social Services** assume the department only devotes .25 FTE, spread across three employees, to review the applications for five tax credit programs, including the two covered by this bill. The department does not expect to realize an appreciable cost savings as a result of eliminating two of the four tax credit programs administered by this department. Therefore this proposal would have no measurable impact on this department.

Officials at the **Department of Economic Development (DED)** assume this proposal sunsets all tax credit programs, not subject to the MO Sunset Act (23.250, RSMo), effective January 1, 2016, unless re-authorized by the General Assembly. Affected programs under the administration of the DED's Division of Business and Community Services include the Neighborhood Assistance Program, Youth Opportunities Tax Credit, Family Development Account, Development Tax Credit, Incubator Tax Credit, Rebuilding Communities, Wine and Grape Growers Tax Credit, Brownfield Redevelopment, Historic Preservation and the Neighborhood Preservation Act. Any anticipated positive fiscal impact based on the sunset of programs, would be offset by an unknown negative fiscal impact over \$100,000 with respect to those programs that require or result in a net positive fiscal impact to the state in order for the benefit or tax credit to be issued. Such programs include Brownfield Redevelopment, Quality Jobs and Enhanced Enterprise Zone.

Officials at the **Missouri Housing Development Commission (MHDC)** assume the pertinent programs affected include the Missouri Low Income Housing Tax Credit and Affordable Housing Assistance Program, both administered by MHDC. There may be a fiscal impact if the programs are not re-authorized, but that depends on future actions of the General Assembly, which cannot be known.

Officials at the **Department of Natural Resources** assume the impact is unknown due to the uncertainty of which tax credits the General Assembly would choose to re-authorize.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** state there is no anticipated fiscal impact to the department in FY 2013- 2015. This legislation will have an unknown increase to premium ta revenue beginning in FY 2016 due to

ASSUMPTION (continued)

the sunset of tax credits. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts through out the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits beginning in FY 2016.

Oversight assumes this proposal places a sunset date of January 1, 2016 on all tax credits that do not currently have a sunset. January 1, 2016 is FY 2016 and is outside the fiscal note period. Any savings realized from tax credits stopping would be outside the fiscal note period. In FY 2011, \$546,694,941 tax credits were redeemed.

Oversight is unable to predict which tax credits would be re-authorized after January 1, 2016 so Oversight is unable to predict a future savings to the State.

Section 143.011 Personal Income Tax

Officials at the **Budget and Planning** assume to the extent DOR is able to estimate the changes in revenues and estimate the adjusted tax rates, this proposal should have little net impact on General and Total State Revenues.

Officials at the **Department of Social Services** defers to the Department of Revenue for impact.

Officials at the **University of Missouri Economic and Policy Analysis Research Center** assume that unfortunately they are not able to estimate the impact sunset tax credits may have on any particular year's revenue due to the differential timing of credit authorization, credit issue, and credit redemption as it pertains to carry-over and/or carry-back clauses within existing legislation. Also, even if it were possible to forecast the amount of redemptions in any particular year, the language within this proposal does not specify in what manner the ten different tax rates within the personal income tax table should be reduced in order for an attempt at a simulation.

Officials at the **Department of Revenue** assume that OA- ITSD (DOR) will need to make programming changes at a value of \$17,808 (672 FTE hours).

Oversight assumes OA-ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA-ITSD (DOR) could absorb the costs related to this

ASSUMPTION (continued)

proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA-ITSD (DOR) could request funding through the appropriation process.

This proposal would not go into effect until January 1, 2017 (FY 2017) which is outside the fiscal note period. **Oversight** will not show any impact in the fiscal note due to this proposal.

Oversight is unable to predict which tax credits would be re-authorized after January 1, 2016, so Oversight is unable to predict a future savings to the State. Without a known savings rate Oversight is unable to predict how much the personal income tax rate would be lowered due to this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

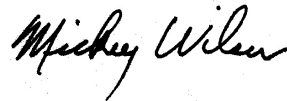
FISCAL DESCRIPTION

This proposal appears to have no fiscal impact.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Budget and Planning
Department of Agriculture
Department of Economic Development
Department of Health and Senior Services
Department of Insurance, Financial Institutions and Professional Registration
Department of Natural Resources
Department of Revenue
Department of Social Services
Missouri Housing Development Commission
University of Missouri

A handwritten signature in black ink that reads "Mickey Wilson". The signature is fluid and cursive, with the first name "Mickey" and last name "Wilson" clearly distinguishable.

Mickey Wilson, CPA
Director
January 13, 2012